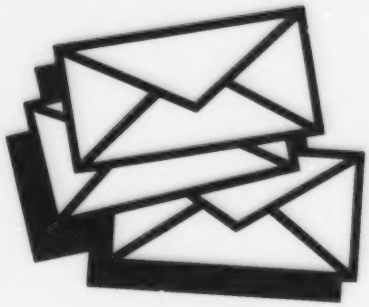
Mail Management Agency

A Special Operating Agency of Manitoba Highways & Government Services

1999/2000 Annual Report:



Providing communication solutions for the future

100-07631/

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MINISTER OF HIGHWAYS
AND GOVERNMENT SERVICES

Room 203
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

July 6, 2000

The Honourable Peter M. Liba
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the privilege of presenting the Fourth Annual Report of Mail Management Agency for the year ended March 31, 2000.

Respectfully Submitted,

Steve Ashton
Minister Responsible for
Mail Management Agency

Manitoba

Deputy Minister of
Government Services

332 Legislative Building
Winnipeg, Manitoba, R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 6, 2000

The Honourable Steve Ashton
Minister Responsible for
Mail Management Agency
Highways & Government Services
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit for your consideration the Fourth Annual Report of Mail Management Agency for the year ended March 31, 2000.

Mail Management's success continues to be achieved by ensuring that customer service, productivity improvement and employee development are at the forefront of its initiatives. Building on these foundations allows the Agency to continue to meet and exceed client expectations.

The Agency faces a future of significant technological change in the global communication environment. It has accepted that challenge and is moving forward with initiatives to provide the government and broader public sector with opportunities that will keep pace. The Agency's successes to date will directly contribute to it's ability to adapt and advance.

The Advisory Board is pleased with the continued success of Mail Management and is encouraged by the commitment of its employees.

Respectfully submitted,

Gerry Berezuk
A/Deputy Minister and Chairperson of the
Mail Management Agency Advisory Board

MMA
MAIL MANAGEMENT AGENCY
200 Vaughan Street • Winnipeg, MB R3C 1T5

From the A/Chief Operating Officer

The past year provided Mail Management with increased volumes and revenue. However the financial impact of delayed projects and investment in capital projects impacted on the Agency's bottom line resulting in an overall net loss.

The Agency was pleasantly surprised with the new business obtained from Manitoba Health. Volumes and revenues in the finishing and processing segments were greater than the information originally provided, which contributed to growth rather than the originally forecasted decline.

On a more disappointing note the Agency ended the year with a $62,000 loss. Several factors of significance to the Agency influenced the outcome. They included extensive studies that were to clearly identify the Agency's future direction, additional efforts to ensure our new billing system provided meaningful information and, an unbudgeted project in support of Better Systems Initiative. Two of these activities were completed near the fiscal year end. The investment and time expended to support the Better Systems Initiative, an amount that was 25% greater than the Agency's loss, has yet to be implemented due to delays that have the project on hold until September 2000.

The Agency continues to improve its customer relations, now being able to provide better reporting and improved response to customer inquiries. The willingness and ability to adapt will assist Mail Management to attain its future goals.

I would like to extend my appreciation to those who have contributed to the success of Mail Management Agency, including our Advisory Board Members, our staff and our clients.

Greg Bowers
A/Chief Operating Officer

Advisory Board

The Advisory Board's role in support of the Agency is to offer advice and direction on strategic planning, management and reporting as well as on issues of concern to our clients. The Board meets quarterly to review the Agency's financial reports, and annually to review the business plan, annual report, and any planned changes to the Agency's Charter.

Chair:

Gerry Berezuk
A/Deputy Minister
Manitoba Government Services

Private Sector Representatives:

Raymond West
Retired Chairman of the Board
A.E. Mackenzie Co. Ltd.

Norm Fiske
Partner
Sill & Company

Client Representatives:

Al Macatavish
Vice President, Transmission
Manitoba Hydro

John Hosang
Assistant Deputy Minister
Manitoba Highways and Transportation

Staff Representatives:

Dan Hawley
Operations
Mail Management Agency

Members:

Tracey Danowski
A/Assistant Deputy Minister
Manitoba Government Services

Greg Bowers
A/Chief Operations Officer
Mail Management Agency

Agency Management

Greg Bowers	A/Chief Operating Officer
Mike Langenfeld	A/Marketing/Systems Manager
Gordon Longbottom	A/Operations Manager
Tanis Wheeler	Accounting Services

1.1 Historical Perspective

Mail Management Agency became a Special Operating Agency on April 1, 1996. Its history lies in that of the Postal Services Branch, its predecessor. The Postal Services Branch was responsible for centralized postal management within the Manitoba Government. It included co-ordinating the pickup and delivery of correspondence, distribution of interdepartmental mail, affixing the most economical postage for correspondence to the general public and allocating these costs to the originating program, evaluating postal requirements, managing the franking privileges of members of the Legislative Assembly and negotiating and entering into contracts to reduce postage and equipment costs to Government.

Postal Service began as a Branch in 1956 and throughout the years grew from one facility to as many as twelve. During its growth it developed a mail delivery system, using government owned vehicles, that provided a high degree of reliability. As technology and alternate sources of delivery improved, use of government owned vehicles were phased out and the number of postal satellites was reduced.

In the late 1980's to early 1990's, Postal Services became more accountable and service oriented. A computerized mail management system was purchased to recover postage costs from users. Postal Services subsequently assumed responsibility for the Department of Highways postal operation and the Queen's Printer mail preparation services that included inserting and folding.

During the 1996/1997 year, Mail Management Agency began to position itself as the most cost effective and efficient alternative. The Agency realigned its main facility, organization structure, systems, and its method of operation to assist it in its thrust of meeting or exceeding the expectations of its existing and future clients.

The 1997/1998 year introduced a marketing position to the organization. As a result, the Agency developed an improved profile amongst its customers. Client presentations were performed and response time to customer inquiries was greatly improved.

1.2 Mission

The mission of Mail Management Agency is to enable clients to expedite their products, Information and correspondence through the most appropriate distribution alternative.

The following business principles and values support the mission of the Agency:

- to create service solutions for Government that contribute to affordable program delivery and ultimately to its bottom line;
- to develop, through provision of superior service at reasonable cost, lasting, mutually

- to develop mutually agreeable business relationships with suppliers by ensuring all are extended access to tender documents, by paying open accounts promptly, and generally demonstrating good business ethics;

- to remain a good corporate citizen by complying with all the laws and regulations and by promoting measures to eliminate or minimize risks to the environment;

- to provide a safe working environment for all employees in compliance with ongoing Workplace Health and Safety regulations;

- to encourage and acknowledge special levels of employee accomplishments through recognition and rewards;

- to continue to train and develop employee skills and talents through career planning and educational support;

- to provide employees with clear objectives and direction on how they may be attained;

- to stress team building while recognizing individual effort within team frameworks;

- to encourage innovative ideas and promote creative thought;

- to jointly establish individual performance goals and conduct impartial appraisals on their degree of attainment; and

- to remain an employer of choice.

1.3 Goals and Objectives

The long-term goal of Mail Management Agency is to become the selected distributor of products, information and correspondence. In support of this goal, management and staff of the Agency have defined the following objectives that are critical to the long-term success of the Agency:

- to ensure that the cost of postage and mail processing, mail finishing, and interdepartmental mail are minimized and that mail is expeditiously processed in a timely manner;

- to consolidate all Manitoba Government existing and dispersed departmental mail operations into one corporate process which will eliminate duplication of services, staff, equipment and space usage;

- to develop clients other than the Province of Manitoba, e.g. Interdepartmental Mail for the City of Winnipeg, Federal Government offices in Manitoba, and Universities in the City of Winnipeg;

- to provide guidelines to government in the processing of all related mail products and services and to establish standards and procedures for the efficient handling of government mail; and

- to develop other correspondence handling service solutions which are beneficial and cost effective for the corporate entity.

1.4 Products and Services

MMA services are expanding to encompass the broader demands associated with communications. The existing finishing, processing, interdepartmental, and contract administration components were augmented with electronic forms management (EFM) printing, beginning the process of transforming MMA into a one-stop shop for communication services. Providing these additional services at one location will enable MMA to more fully address their clients' current and future needs.

Existing Services;

The following outlines the existing services provided by Mail Management Agency.

PROCESSING – Line of Service:

Metered	Standard and oversized letter mail processed with ink stamp impressions (metered dollar impressions) through high speed mail machines.
Permit	Standard and oversize letter mail that are pre-printed with indicia (Canada Post deposit account numbers), and are prepared for Canada Post with the use of a numerically controlled Statement of Mailing (SOM) document. SOMs are used for items such as Addressed Admail, Unaddressed Admail, and Remail.
Xpresspost Certified	Traceable numerically controlled mail envelopes that are processed with an acknowledgement receipt card that is returned to the sender upon successful completion of delivery.
Remail	Specially priced U.S. and International mail that is processed with a special meter impression and documented with the use of numerically controlled SOMs.
Other	All other mail processing services not included in the above, including courier, parcels, business reply mail, postage cheques, and proof of delivery signatures.

FINISHING – Line of Service:

Addressing	High-speed machine addressing of envelopes and labels. Used in conjunction with Canada Post certified incentive mail software allowing the Agency to sort addresses directly to Canada Post letter carrier walks. In doing so, MMA garners significant postage savings for its customers.
Bursting	High-speed machine separation of various types of continuous sheet computer forms.
Folding	High-speed machine folding of various types of cheques, paper documents, and government forms.
Inserting	High-speed inserting of paper documents, various types of cheques, and government forms.
Manual Inserting	Grouping items of unusual type and design into containers specific to each unique project. Activities of this nature range from inserting specific matching items into envelopes or assembling convention kits that include computer diskettes, pens, pins, etc. Each of these tasks is performed manually.

INTERDEPARTMENTAL – Line of Service:

Daily pick up and delivery of items between government departments at designated locations. The classification of service is as follows:

Small Envelope	Reusable interdepartmental envelopes, the approximate size of a standard # 10 letter mail envelope.
Flat	Large reusable interdepartmental envelopes approximately 15" x 11".
Small Packet	Containers that can be up to 60 lbs. in weight and a maximum size of 11" x 8.5" x 4.5".
Large Parcel	Items larger than the above categories that weigh at most 60 lbs. and can be carried by the Agency's contract couriers.

CONTRACT ADMINISTRATION – Line of Service:

The tendering for, and management of the best possible courier rates for use within MMA Processing and Interdepartmental services, and by broader public sector clients who ship directly from their own facilities.

New Services;

Based on projected demand, identified by the feasibility study and independent requests for printing services, digital printing services were introduced.

EFM PRINTING – Line of Service:

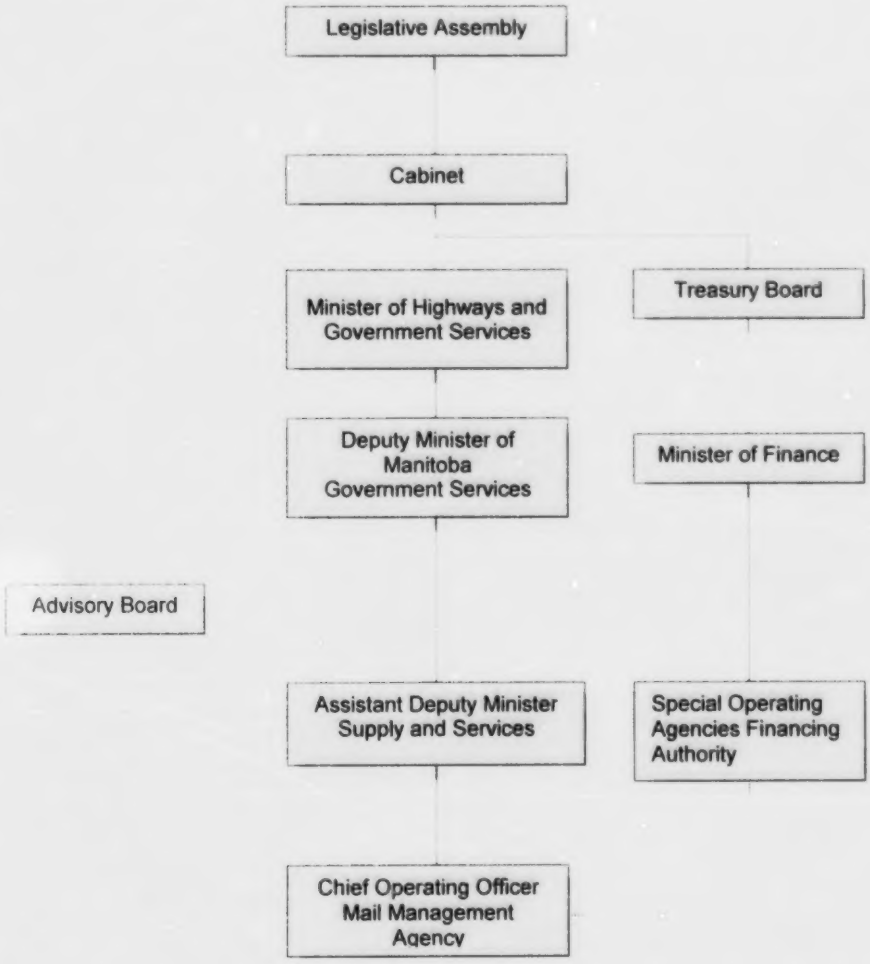
To satisfy immediate Better Systems Initiative (BSI) demands for printing services, and in conjunction with consistent findings from the EFM feasibility study, MMA leased and implemented two high speed printers. The addition of print services into MMA offerings will enable its clients to bundle their communications needs and have them provided more efficiently from a single central source. The formal initiation of the printing component of the one-stop shop concept is part of the Agency's broader electronic forms management process. The print service provide clients with "just in time" printing of electronic documents on high speed digital black and white printers that can be immediately transferred to the Finishing, Processing, and Interdepartmental divisions.

1.5 Agency Structure

Mail Management Agency is a special operating agency within Manitoba Highways and Government Services that is accountable to the Deputy Minister for operational and financial performance.

The Agency operates outside the Consolidated Fund under the Special Operating Agencies Financing Authority, which holds title to the Agency's assets, provides financing for operations, and is responsible for its liabilities.

The accompanying chart identifies Mail Management's accountability within the established structure.



1.6 Three Year Effectiveness Evaluation

Internal Audit and Consulting Services, Department of Finance conducted an evaluation to determine the Agency's effectiveness since becoming a Special Operating Agency. The results of the evaluation were positive and indicated that the Agency had increased output while reducing staff. Also noted was the greater commitment to client services, which was proven by surveying fifty-five of the Agency's clients. The survey results indicated that most clients rated the Agency as having "excellent" or "good" job processing time, delivery, accuracy, courteous/knowledgeable staff and complaint/problem resolution.

Recommendations for improvements included increasing the administrative component of the Agency and development of a strategic planning process encompassing all aspects of the business and restructuring rates to reflect the true cost of providing the service. All recommendations proposed in the study have been reviewed and plans to implement the recommendations are in place. Since the review, the Agency has hired a lead hand to assist the operations manager and an accounting clerk to alleviate the workload of the Chief Operating Officer. The Agency has proposed new rate structures in the 2000/2001 business plan and has implemented changes to the inter-department mail rating structure. Volume discounted rates for mail finishing will be implemented in the third quarter of fiscal 2000/2001.

2.0 Critical Success Factors

The Agency, in its 1999/2000 Business Plan, identified certain quantitative and qualitative critical success factors that serve as targets that reflect the Agency's progress to becoming a successful operating entity. The following are the targets and their results for the year ending March 31, 2000.

2.1 To attain the projected net income as set out in the 1999/2000 business plan.

The projected net earnings of $78.5 were not obtained due to the following reasons;

- The Agency expended more on professional fees than was anticipated. $72.0 was expended on the implementation of an unbudgeted project on behalf of the Better Systems Initiative, $12.0 for the development of a mail list management software and $14.0 for completion of the Agency's Y2K compliant billing system.
- Salaries increased by $68.0 over the previous year due in part to the hiring of a full time accounting clerk and the need for increased hours to handle additional volumes.
- Intelligent inserting equipment was leased in October of 1999, at a cost of $18.0, to handle volumes from the Better System Initiative.
- The Agency wrote off $13.0 in bad debts from the previous year.
- Courier costs attributed to the delivery of the interdepartmental mail increased by $17.0.

2.2 Service Quality Indicators;

- **answer phone within 3 rings or respond within 2 business hours**

  Maintained the1998/1999 level of 90% calls answered within three rings or responded to within two business hours.

- **mail processing completed daily**

  Achieved 99.5% of mail being processed on the day it was received

- **mail finishing jobs completed within expected time frame**

  Completed 97% of mail finishing jobs within deadlines

2.3 Contact With Major Customers

The marketing manager contacted all major clients via telephone. A customer contact program will be established by the third quarter of 2000/2001.

2.4 Development of Correspondence Handling Solutions

Incentive mailing volumes remained stable even though restrictions that limit the types of mail that may be sent at incentive rates were implemented by Canada Post. Savings of $150.0 were maintained.

Courier contract administration increased from 630 clients to 693 clients surpassing the projected 680 clients.

Electronic forms management solutions were delayed due to the change in government administration and BSI not meeting projected implementation dates.

2.5 Employee Development

The Agency provided introductory computer courses for 65% of its employees. Training sessions were also provided on the Agency's new billing system with 80% of the production employees attending.

2.6 To Meet or Exceed Key Performance Indicators

Volumes (000's)

	Actual 99/00	Variance to 98/99
	Volume	$
Processing	10,055 9	1,810.5
Finishing	16,470 1	2,568.8
Interdepartmental	3,049.6	119.1
Total	29,575 6	3,698.4

Paid Full Time Equivalents (FTE'S)

	Actual 99/00	Variance to 98/99
Processing	6 3	-0.4
Finishing	6 0	0.9
Interdepartmental	7 6	0.4
Administration	4 6	0.2
Total	24 5	0.8

Productivity per Working FTE Hour

	Actual 99/00	Variance to 98/99
	Volume	
Processing	1,041 2	170.5
Finishing	1785 4	-255.3
Interdepartmental	263 5	29.2
Total	3,090 1	55.6

This target measures three mutually exclusive items; total volume, total paid hours, and productivity per working hour. The difference between the latter categories is that paid hours include vacation, sick, and other leaves, whereas working hours specifically reflects hours handling product.

The increase in volumes for mail processing and mail finishing are mainly attributed to the volumes received from Manitoba Health. Prior to Health's move to their new facility a cost benefit study was performed resulting in Mail Management providing Health's processing and finishing services. During this year, Manitoba Family Services and Housing began providing service to clients who historically received services form the City of Winnipeg increasing the processing and finishing volumes as well.

The provision of services to Manitoba Health increased the number of full time equivalents by 2.2 however, the increase was offset by the increases in productivity per full time equivalent working hours.

2.6 To Meet or Exceed Key Performance Indicators

Volumes (000's)

	Actual 98/99	Projected 99/00	Variance to 98/99	Variance to 98/99	Variance to Projected	Variance to Projected
	Volume	Volume	Volume	$	%	$	%
Processing	9,045.4	7,452.1	1,010.5	11.2%	2,600.8	34.9%
Finishing	13,901.3	10,703.1	2,568.8	18.5%	5,767.0	53.9%
Interdepartmental	2,930.5	2,713.6	119.1	4.1%	338.0	12.4%
Total	25,877.2	20,868.8	3,698.4	14.3%	8,706.8	41.7%

Paid Full Time Equivalents (FTE'S)

	Actual 98/99	Projected 99/00	Variance to 98/99	Variance to 98/99	Variance to Projected	Variance to Projected
				%		%
Processing	6.7	6.9	-0.4	-5.3%	0.6	-9.1%
Finishing	5.1	3.8	0.9	17.6%	2.2	56.7%
Interdepartmental	7.2	7.1	0.4	5.4%	0.5	6.6%
Administration	4.8	4.0	0.2	3.4%	0.6	15.0%
Total	23.7	21.9	0.8	3.4%	2.6	11.8%

Productivity per Working FTE Hour

	Actual 98/99	Projected 99/00	Variance to 98/99	Variance to 98/99	Variance to Projected	Variance to Projected
	Volume	Volume		%		%
Processing	870.7	595.4	170.5	19.6%	445.6	74.9%
Finishing	2040.7	1546.8	-255.3	-12.5%	238.6	15.4%
Interdepartmental	234.3	210.7	29.2	12.5%	52.8	25.1%
Total	3,145.7	2,352.9	55.6	-1.8%	737.2	31.4%

This target measures three mutually exclusive items: total volume, total paid hours, and productivity per working hour. The difference between the latter categories is that paid hours include vacation, sick, and other leaves, whereas working hours specifically reflects hours handling product.

The increase in volumes for mail processing and mail finishing are mainly attributed to the volumes received from Manitoba Health. Prior to Health's move to their new facility a cost benefit study was performed resulting in Mail Management providing Health's processing and finishing services. During this year, Manitoba Family Services and Housing began providing service to clients who historically received services form the City of Winnipeg increasing the processing and finishing volumes as well.

The provision of services to Manitoba Health increased the number of full time equivalents by 2.2 however, the increase was offset by the increases in productivity per full time equivalent working hours.

The projected volumes for all three divisions were exceeded. Processing productivity is above the projected amount by approximately 35%, finishing by 5.9% and interdepartmental by 12.4%. The percentage over projection for all three divisions combined is 41.7% or 8,706.8 pieces.

Volumes processed increased by 5,698.4 pieces or 14.3% compared to the 1998-1999 fiscal year with an increase of 10.8 full time equivalents.

Sick leave usage improved from 1.4 full time equivalents to 0.89.

3. Financial Highlights

3.1 Highlights

	1999/2000 ($000's)	1998/1999 ($000's)
Total Revenue	5,792	5,483
Postage Expenses	4,315	4,142
Salaries & Benefits	833	755
Operating Expenses	664	443
Total Income	(20)	143
Interest	42	24
Net Income	(62)	119

3.2 Ratios

Ratios	1999/2000	1998/1999
Return on Total Revenue	(1.07%)	4.08%
Return on Assets	(4.97%)	15.08%
Return on Equity	(13.0%)	34.83%
Debt to Equity	1.62:1	1.46:1
Current Ratio	1.81:1	1.85:1

The projected volumes for all three divisions were exceeded. Processing productivity is above the projected amount by approximately 35%, finishing by 53.9% and, interdepartmental by 12.4%. The percentage over projection for all three divisions combined is 41.7% or 8,706.8 pieces.

Volumes processed increased by 3,698.4 pieces or 14.3% compared to the 1998/1999 fiscal year with an increase of 0.8 full time equivalents.

Sick leave usage improved from 1.4 full time equivalents to 0.89.

3.1 Highlights

	5,792	5,483
	4,315	4,142
	833	755
	664	443
	(20)	143
	42	24
	(62)	119

3.2 Ratios

	(1.07%)	4.08%
	(4.97%)	15.08%
	(13.0%)	34.83%
	1.62:1	1.46:1
	1.81:1	1.85:1

4.1 Overview

The Agency recorded a net loss of $62.0 on revenues of $5,792.0 for the year ended March 31, 2000. The loss is attributed to several factors that effected the Agency's bottom line including the loss of revenue created by the unexpected delay of the Better Systems Initiatives printing volumes, increased operating costs attributable to rate increases from vendors, an increase in salaries and the additional expenditure to complete the Agency's billing system.

4.2 Significant Events in 1999/2000

The volume increase in all operating segments was a pleasant surprise. Volume projections provided by Manitoba Health suggested that the Agency could expect an increase of approximately 500,000 pieces. As the changover occurred it became apparent that projections did not account for all jobs that the Agency was asked to process. The remainder of the volume increase came from Manitoba Family Services and Housing.

The implementation of the Agency's billing system was delayed until mid July 1999, almost four months behind schedule. The two systems, old and new, ran in parallel until December 1999. Numerous problems were encountered and the budget was exceeded.

The electronic forms management study was completed and the results were presented to Treasury Board in the Agency's 2000/2001 business plan.

The Better Systems Initiative approached Mail Management to provide digital print services for Personal Property Registry. Testing of print services was expected to begin in October of 1999. While Mail Management met the deadline, unfortunately the BSI initiative was delayed and is not expected to utilize Mail Management Agency's print services until September of 2000.

4.3 Net Income

Mail Management's net income decreased by $181.0 compared to 1998/1999. The Agency incurred increases in salaries, professional fees and increased operating expenses. The Agency recognized that in order to be successful in future years reserves would need to be drawn upon to offer new services that would maintain existing and attract new customers.

4.4 Revenue From Operations

Mail Processing

Revenue in the mail processing segment reached $4,674.0 versus $4,462.0 in the 1998/1999 year. This represents an increase of $212.0 and is attributable to the increased volumes received from Manitoba Health.

Mail Finishing

The finishing section's revenue of $321.0 is up $59.0 over the 1998/1999 year. Volumes from Manitoba Health and Manitoba Family Services and Housing accounted for the majority of the increase.

4.5 Operating Expenses

The largest component of the Agency's operating cost remains postage at $4,420.0. Postage expenditures increased by $173.0 or 4.2% over the prior year. The increase is attributable to a Canada Post rate increase and higher volumes.

Labour represents the second largest expense for the Agency. A 10% increase was observed in 1999/2000 bringing the salaries to $722.0 before benefits. The Agency hired an accounting clerk to assist the Chief Operating Officer. An increase of 0.9 full time eqivalents was required to process the additional 3,698.4 pieces handled.

The cost associated with courier system increased by 14%. In past years, Canada Post delivered supplies to the Agency free of charge. In 1999/2000, Canada Post decided to charge for this service. In addition, arrangements with Manitoba Health for pickup and delivery of material contributed to the increased courier cost.

Professional fees increased by $100.0 over the 1998/1999 fiscal year, $16.0 was attributable to the completion of the Y2K compliant billing system. As well, $72.0 was required to perform the EFM feasability study and $12.0 was used to develop a mail list program.

MAIL MANAGEMENT AGENCY

FINANCIAL STATEMENTS

MARCH 31, 2000

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Mail Management Agency
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Responsibility of Financial Reporting

The Agency's management is responsible for the financial statements and other financial information in the annual report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and the results of operations in accordance with generally accepted accounting principles. The financial statements have been audited by The Exchange Chartered Accountants, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that the transactions are authorized, properly recorded and reported and that the assets are safeguarded.

The Advisory Board meets regularly with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free and full access to this Board, and to discuss the results of their audit and their views on the adequacy of internal controls and the quality of the financial reporting.

Greg Bowers
A/Chief Operating Officer

June 29, 2000

THE EXCHANGE

chartered accountants

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Mail Management Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and the results of its operations and changes in its financial position for the year then ended, in accordance with generally accepted accounting principles.

THE EXCHANGE

chartered accountants

Winnipeg, Manitoba
June 29, 2000

associated with JEFFREYS HENRY INTERNATIONAL

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MAIL MANAGEMENT AGENCY
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2000

	2000	1999
ASSETS		
CURRENT		
Accounts receivable	$ 699	$ 1,001
Accounts receivable - Province of Manitoba	182	156
Prepaid expenses	38	127
	919	1,284
INVESTMENT - PENSION	115	-
CAPITAL ASSETS, notes 2 and 4	117	98
OTHER ASSETS, notes 2 and 5	48	-
PENSION TRUST, note 7	48	91
	$ 1,247	$ 1,473
LIABILITIES		
CURRENT		
Working capital payable, note 6	$ 227	$ 287
Accounts payable and accrued liabilities	280	433
Deferred revenue	2	30
	509	750
PENSION LIABILITY, note 7	163	91
SEVERANCE LIABILITY, note 8	99	94
	771	935
EQUITY		
CONTRIBUTED EQUITY, note 11	51	51
RETAINED EARNINGS, note 3	425	487
	476	538
	$ 1,247	$ 1,473

MAIL MANAGEMENT AGENCY
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
REVENUES		
Mail processing	$ 4,674	$ 4,462
Mail finishing	321	262
Inter department mail	769	738
Contract administrative fees	28	21
	5,792	5,483
EXPENSES		
Amortization	39	19
Bad debts	13	-
Communications	11	10
Courier	138	121
Employee benefits	111	101
Equipment rental and maintenance	52	41
Interest	42	24
Leases	18	-
Loss on disposal of capital assets	-	2
Network	36	-
Miscellaneous operating	23	8
Office	26	34
Occupancy	109	109
Postage	4,315	4,142
Professional fees	199	99
Salaries, note 9	722	654
	5,854	5,364
NET INCOME (LOSS)	(62)	119
RETAINED EARNINGS, beginning of year, as restated	487	368
RETAINED EARNINGS, end of year	$ 425	$ 487

MAIL MANAGEMENT AGENCY
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2000

	2000	1999
OPERATING ACTIVITIES		
Cash flows from operations		
Net income (loss)	$ (62)	$ 119
Add: non-cash charges		
Amortization	39	18
Loss on disposal of fixed assets	-	2
	(23)	139
(Increase) decrease in non-cash working capital		
Accounts receivable	276	(312)
Prepaid expenses	89	102
Pension trust	43	(91)
Accounts payable and accrued liabilities	(156)	190
Deferred revenue	(28)	25
Pension liability	72	35
Severance liability	5	6
	301	(45)
Cash flows from operations	278	94
FINANCING ACTIVITIES		
Decrease in long-term debt	-	(42)
INVESTING ACTIVITIES		
Additions to capital assets	(43)	(53)
Additions to other assets	(60)	-
Increase in long-term investments	(115)	-
	(218)	(53)
INCREASE (DECREASE) IN CASH	60	(1)
BANK INDEBTEDNESS, beginning of year	(287)	(286)
BANK INDEBTEDNESS, end of year	$ (227)	$ (287)
REPRESENTED BY:		
Working capital payable	$ (227)	$ (287)

MAIL MANAGEMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

1. NATURE OF ORGANIZATION

In 1956, Mail Management (Postal Services) was created as a branch of the Manitoba Provincial Government to provide centralized postal management.

Effective April 1, 1996, the Postal Services was renamed Mail Management Agency (MMA) and designated as a Special Operating Agency (SOA) pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

MMA is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from MMA operations. It finances MMA through repayable loans and working capital advances. The financial framework enables the Agency to operate in a business-like manner according to the public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Government Services assigns responsibility to MMA to manage and account for MMA related assets and operations on behalf of the Financing Authority.

MMA continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

MMA remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the MMA have been prepared in accordance with generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

MAIL MANAGEMENT AGENCY
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(a) Capital Assets

Capital assets are recorded at cost and are amortized annually at the following rates and bases:

Production equipment	-	20% diminishing balance basis
Computer equipment	-	20% straight-line basis

(b) Other Assets

Other assets are recorded at cost and are amortized at the following rate on a straight-line basis:

Computer conversion	over 5 years

3. CORRECTION OF PRIOR PERIOD ERROR

While completing the financial statements for the year ending March 31, 2000, MMA determined that a reduction of prepaid expenses in the amount of $105 was omitted from the March 31, 1999 financial statements. With respect to the March 31, 1999 Balance Sheet accounts the Prepaid Expense has decreased by an amount of $105 and Retained Earnings have been reduced by an amount of $105. The March 31, 1999 Postage Expense has been increased by $105. The effects of this correction on the prior period is treated as an adjustment of the opening balance of Retained Earnings, decreasing the April 1, 2000 balance by $105.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Production equipment	$ 254	$ 141	$ 113	$ 94
Computer equipment	4	-	4	4
	$ 258	$ 141	$ 117	$ 98

MAIL MANAGEMENT AGENCY
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

5. OTHER ASSETS

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Computer Conversion	$ 60	$ 12	$ 48	$ -

6. WORKING CAPITAL PAYABLE

MMA has an authorized line of working capital advances of $1,500 of which $227 was used as at March 31, 2000.

7. PENSION LIABILITY

Employees of the MMA are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act. In accordance with an agreement with the Province of Manitoba, SOA's are only responsible for the pension liability incurred for their employees from the date of designation as an SOA. The MMA recorded an obligation for the year ended March 31, 1998. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for service prior to April 1, 1996, as well as any variance resulting from the calculation.

This change in accounting policy has been applied retroactively, and the prior year has been restated. This accumulated pension liability at March 31, 2000 is $163 ($91 at March 31, 1999).

MMA will continue not to be a funded employer and will not turn funds over to the Superannuation Fund to administer. Instead, MMA will deposit in this account an amount equal to the pension liability recorded at March 31, 1998, plus an amount equal to employee contributions from April 1, 1998 to date. An entry has been made to establish the pension asset but the actual transfer has not taken place as of yet.

MAIL MANAGEMENT AGENCY
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

8. SEVERANCE LIABILITY

Effective April 1, 1998, the Agency is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance at April 1, 1998 of $89 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at $89.

9. THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of The Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employee received compensation in excess of $50:

Name	Position	2000 Amount	1999 Amount
Don Katz	Chief Operating Officer	$ -	$56

10. COMMITMENT

The Agency has not entered into lease agreements with the Province of Manitoba for the five locations that it operates (200 Vaughan Street, Winnipeg; 405 Broadway, Winnipeg; 450 Broadway, Winnipeg; 340 - 9th Street, Brandon; and 25 Tupper Street, Portage la Prairie). Occupancy charges for the year ended March 31, 2000 are estimated at $109.4, whereas charges for the year ended March 31, 1999 were $109.4.

MAIL MANAGEMENT AGENCY
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

11. CONTRIBUTED EQUITY

SOAFA and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of fixed assets valued at $102 required for continuing operations of the Mail Management Agency as at March 31, 1996. The Agency is responsible to repay Special Operating Agencies Financing Authority the debt portion in the amount of $51 (being one-half of the value of the assets) and to record the balance of $51 (being one-half of the value of the assets) as Manitoba's equity in the Financing Authority as related to the Agency's operations. The debt portion has been repaid.

12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.